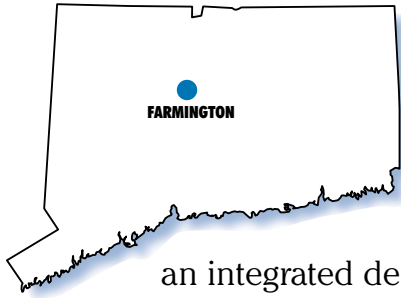


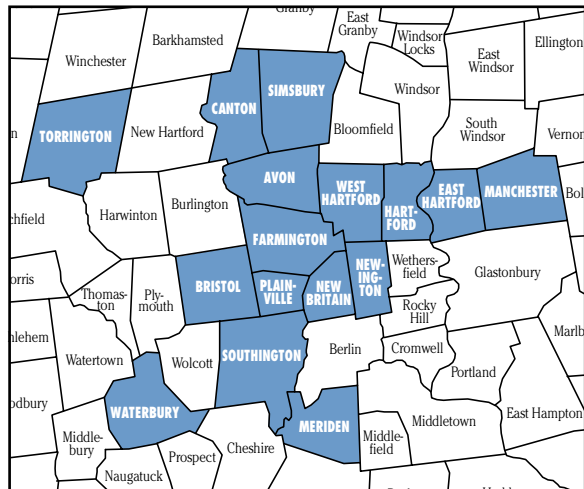
JOHN DEMPSEY HOSPITAL

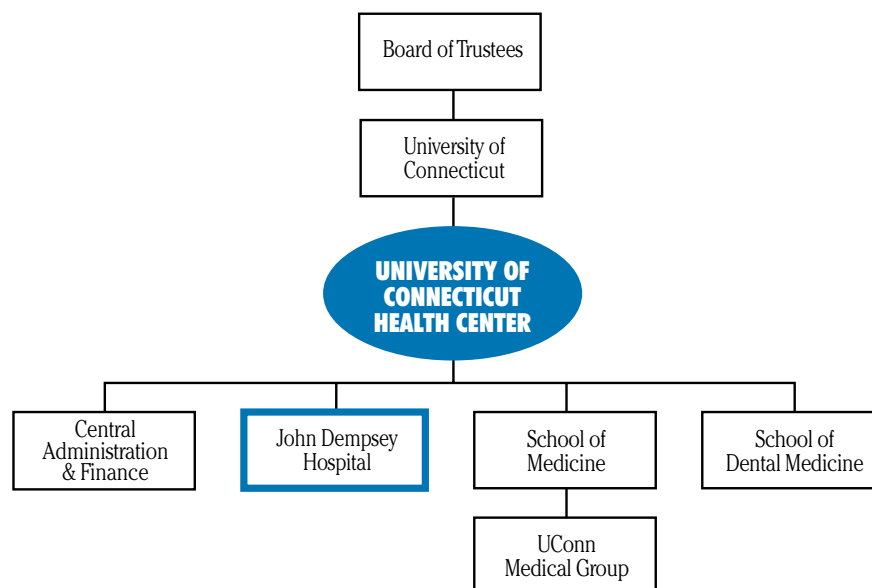
John Dempsey Hospital, located in Farmington, was founded in 1975 as the teaching hospital of the University of Connecticut Health Center. It also serves as a statewide



referral site for tertiary care. In FY 1999, it staffed 144 of its 221 licensed beds and employed 972 Full Time Equivalents.

John Dempsey Hospital is not part of an integrated delivery system and has no affiliations with any other hospitals in the state except for certain services, such as cardiac. The hospital's average age of plant is 10.1 years as compared to the U.S. average of 9.2 years.



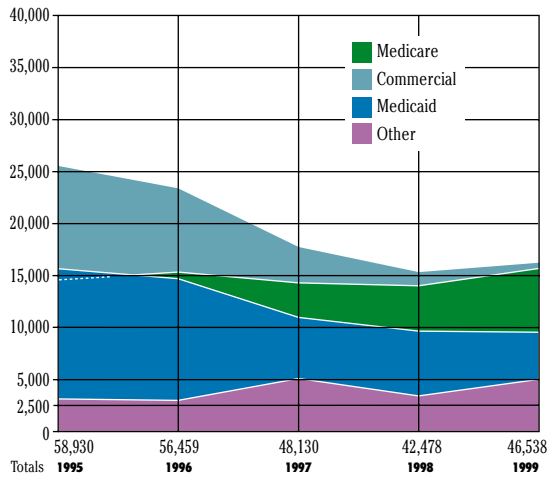
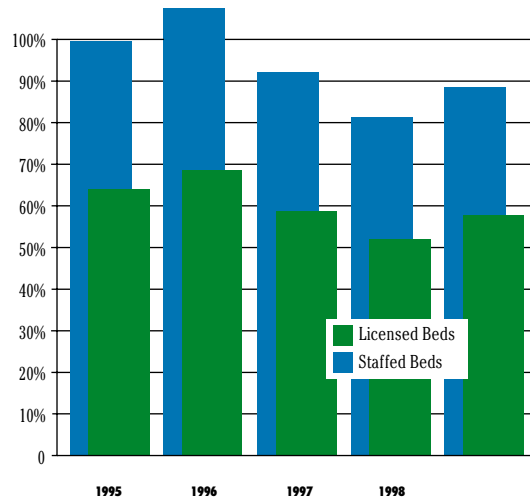
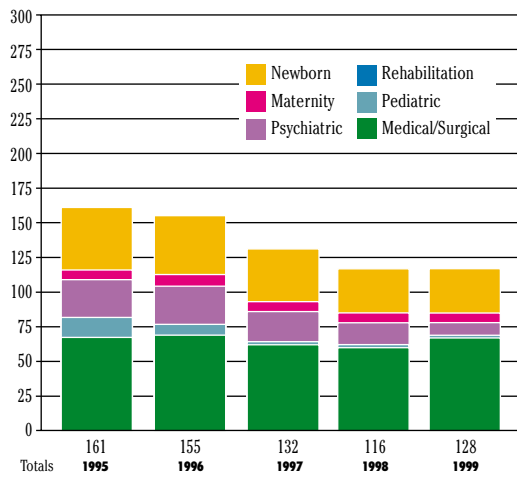
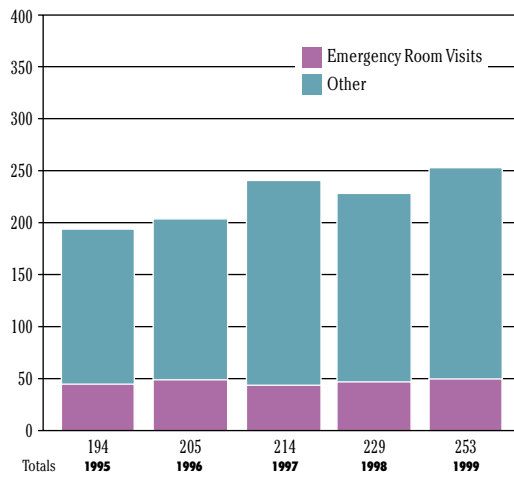
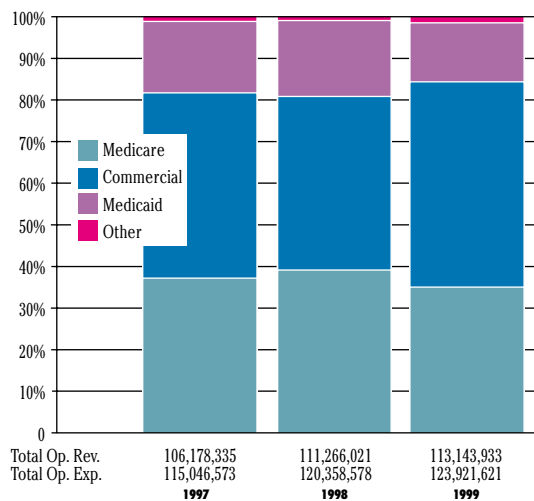


MARGINS	1997	1998	1999
Total margin	-8.35%	-8.17	-9.53%
Operating margin	-8.35%	-8.17	-9.53%

PAYMENT TO COST RATIOS BY PAYER			
Ratio of cost to charges	.73	.71	.72
Medicare Payment to Cost	1.16	1.22	1.02
Medicaid Payment to Cost	.72	.81	.72
Private Payment to Cost	.93	.92	1.01
Uncompensated Care Cost	\$3,503,985	\$3,235,241	\$2,956,808
Total expenses	\$115,046,573	\$120,358,578	\$123,921,621
Uncompensated care % of total expenses	3.05%	2.69%	2.39%

CAPITAL STRUCTURE RATIOS			
Equity financing ratio	73.90%	74.12%	73.10%
Debt service coverage			

LIQUIDITY MEASURES			
Days of expenses in accounts payable	75.52	72.15	63.76
Days cash on hand	48.97	30.32	0
Days of revenue in accounts receivable	88.84	77.91	76.65

**PATIENT DAYS BY PAYER****AVERAGE OCCUPANCY****AVERAGE DAILY CENSUS BY SERVICE****AVERAGE DAILY OUTPATIENTS****NET PATIENT REVENUE BY PAYER**

KEY PERFORMANCE DRIVERS

- ◆ With 140 staffed beds, John Dempsey is the nation's smallest teaching hospital.
- ◆ The hospital has experienced a decline in inpatient volume, from 7,362 discharges in 1995 to 6,494 in 1999. Outpatient visits steadily increased to a high of 900,971 in 1999.
- ◆ John Dempsey Hospital maintains a 14 percent market share in the Farmington Valley; however, the hospital's share of Hartford discharges has fallen from 7.0 percent in 1996 to 6.3 percent in 1999.
- ◆ While the hospital's Medicare mix is low, 30 percent of net revenue, the Medicaid payer mix is high at approximately 21 percent of revenue. Private pay accounts for 47 percent.
- ◆ Private payment to cost ratios fell from a high of 115 percent in 1994 to 87 percent in 1999.
- ◆ John Dempsey pays higher than market labor costs due to expenses associated with the state's retirement plan. The additional costs leave the hospital at a competitive disadvantage.
- ◆ The hospital receives a large amount of funding from the State for capital expenditures.
- ◆ The hospital contends that it needs to make an estimated \$5 million investment in information technology.
- ◆ The Board of Trustees recently engaged a consulting firm to implement a plan aimed at addressing financial shortfalls and ensuring long-term viability.

SITE VISIT ISSUES RAISED BY HOSPITAL MANAGEMENT

Market Share. John Dempsey officials estimate that the erosion in inpatient volumes and market share has reduced patient care revenues by \$1.5 million annually.

University Medical Group. This large, multi-specialty practice is the major source of inpatient referrals for the health center. Only 15 of the UMG physicians are primary care physicians, out of a total of over 200 physicians and dentists. The relatively small primary care base leaves Dempsey vulnerable to the competition.

State Assistance. The hospital's financial situation recently became critical, as operating losses were in excess of \$1 million per month and days cash on hand had fallen to 13. The State of Connecticut intervened, granting the health center \$20 million.

Strategic Options. At the end of 1999, University leadership presented the State Legislature's Public Health Committee with five options for the future of the hospital. The goal was to identify a clinical model that will remain economically viable while supporting the University's academic and research missions. The five models were as follows: independent competitive growth model, independent state supported model, independent limited inpatient model, affiliated market model, and affiliated ambulatory model.